

Message Text

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ORIGIN NEA-10

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TO USDEL SECRETARY PRIORITY

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FOR ATHERTON

FOLLOWING REPEAT OECD PARIS 13573 ACTION MADRID TEHRAN
INFO SECSTATE DTD 09 MAY

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S E C R E T OECD PARIS 13573

FOR ASSISTANT SECRETARY ATHERTON FROM DEPUTT ASSISTANT
SECRETARY BOSWORTH

E.O. 11652: GDS
TAGS: OECD, CIEC
SUBJECT: BRIEFING MATERIAL FOR SECRETARY'S MEETING
WITH THE SHAH

REF: STATE 102884

1. THE FOLLOWING COMMENTS RELATING TO THE BACKGROUND
PAPER ON NORTH/SOUTH ISSUES AND OIL PRICES ARE
PROVIDED FOR YOUR USE IN BRIEFING THE SECRETARY PRIOR
TO HIS MEETING WITH THE SHAH.

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2. ONE FACTUAL ITEM IN THE PAPER REQUIRES MODIFICA-
TION. PARA 5 INCORRECTLY MENTIONS A "U.S. PROPOSAL FOR
AN ENERGY FUND TO EASE THE BALANCE OF PAYMENTS PROBLEMS
OF THE MOST HARD-PRESSED LDC'S." WHILE WE ARE
CONSIDERING A CIEC RECOMMENDATION FOR THE IBRD TO GIVE
GREATER PRIORITY TO LDC ENERGY DEVELOPMENT, WE DO NOT

INTEND A PROPOSAL FOR A SPECIFIC ENERGY FUND NOR DO WE ENVISION A CIEC PROPOSAL THAT SPECIFICALLY ADDRESSES LDC BOP PROBLEMS. THE IRANIAN REACTION CITED IN THE BACKGROUND PAPER PROBABLY REFERS TO A RECENT J.P. SMITH ARTICLE IN THE WASHINGTON POST IN WHICH HE CONFUSED A NUMBER OF CONCEPTS THEN UNDER CONSIDERATION IN THE ECONOMIC POLICY GROUP.

3. PARA 8 IN BRIEFING PAPER REQUIRES A CLARIFICATION. THE RECENT AMOUZEGAR STATEMENT THAT THE IRANIAN POSITION ON INDEXATION AND THE PROTECTION OF PURCHASING POWER OF OIL EXPORT EARNINGS HAS BECOME MORE FLEXIBLE IS SOMEWHAT MISLEADING. THE NEW POSITION DOES NOT REPEAT NOT REPRESENT A MOVEMENT TOWARD A POSITION WE FIND MORE COMPATIBLE. SINCE CURRENTLY THE PRICES OF MOST NEW ALTERNATIVE ENERGY SOURCES (E.G., SHALE OIL, OIL FROM COAL, BUT NOT REPEAT NOT COAL AND NUCLEAR) ARE HIGHER THAN CURRENT OIL PRICES, THE IRANIANS WILL PROBABLY USE THE TIE BETWEEN OIL PRICES AND THE COST OF THESE NEW SOURCES TO JUSTIFY AN INCREASE IN OIL PRICES. OUR POSITION ON THIS ISSUE IS THAT WE RECOGNIZE OPEC CONCERN OVER THE VALUE OF OIL EXPORT EARNINGS BUT THAT NATIONAL AND INTERNATIONAL EFFORTS TO CURB INFLATION ARE THE MOST APPROPRIATE MEANS FOR ACHIEVING THIS RESULT.

4. IT WILL GREATLY FACILITATE OUR EFFORT TO CONCLUDE CIEC SUCCESSFULLY FOR THE SECRETARY TO MAKE SEVERAL CIEC-RELATED POINTS TO THE SHAH. MINISTER OF STATE
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YEGANEH, IRAN'S DELEGATE TO CIEC, IS A DIFFICULT AND INSECURE PERSON, THOUGH ONE OF THE PRINCIPAL MOVERS IN THE G-19. WHILE HE TALKS A DOVISH POSITION TO US, WE KNOW THAT HE IS HAWKISH IN G-19 CAUCUSES. THERE HAVE BEEN SOME INDICATIONS OVER THE PAST MONTHS THAT HE WOULD NOT BE ADVERSE TO A CIEC COLLAPSE, WHICH COULD BE USED AS A PRETEXT FOR A NEW OPEC PRICE BOOST. HE HAS BEEN PARTICULARLY NEGATIVE ON A CONTINUING DIALOGUE ON ENERGY AFTER CIEC.

5. THE SHAH SHOULD UNDERSTAND THAT WE ATTACH CONSIDERABLE IMPORTANCE TO A SATISFACTORY CONCLUSION TO CIEC AND THAT A COLLAPSE IN PARIS WILL LIKELY

IMPACT ADVERSELY ON OUR ABILITY TO PROCEED EFFECTIVELY ON THE POST-CIEC DIALOGUE. WE SHOULD ALSO INDICATE THAT A) THE G-8 WILL OFFER THE G-19 A CREDIBLE FINAL CIEC PACKAGE, THOUGH FALLING SHORT OF G-19 ASPIRATIONS, AND B) IN THE EVENT OF A CIEC COLLAPSE, SUFFICIENT

INFORMATION ON THE PACKAGE WILL BE AVAILABLE FOR THE PUBLIC TO JUDGE THE SERIOUSNESS OF OUR EFFORTS. WE DO NOT WANT IRAN AND OTHER OPEC MEMBERS OF THE G-19 TO BELIEVE THAT THEY CAN REJECT WITH IMPUNITY THE FINAL G-8 OFFER AND THEREBY ENSURE A CIEC FAILURE.

6. CIEC TALKING POINTS:

-- WE HAVE NOW ENTERED THE FINAL PHASE OF THE CIEC WORK IN PARIS. MY GOVERNMENT ATTACHES CONSIDERABLE IMPORTANCE TO A SUCCESSFUL OUTCOME FOR CIEC WHICH IS AN IMPORTANT STEP IN THE ONGOING NORTH/SOUTH DIALOGUE.

-- WE BELIEVE THE FINAL CIEC PACKAGE WILL DEMONSTRATE THE CREDIBILITY OF THE G-8 COMMITMENT TO PRODUCE IN CIEC CONCRETE AND BALANCED RESULTS ON IMPORTANT NORTH/SOUTH ISSUES. IT WILL, OF COURSE, FALL SHORT OF SOME G-19 ASPIRATIONS, BUT ASPIRATIONS MUST BE TEMPERED WITH
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REALISM.

-- WE BELIEVE THE CIEC DISCUSSIONS ON ENERGY HAVE BEEN PARTICULARLY USEFUL AND BELIEVE THAT THE FINAL CIEC PACKAGE MUST PROVIDE FOR A CONTINUATION OF THIS IMPORTANT WORK WHICH IS NOT ADDRESSED IN ANY EXISTING ORGANIZATION .

KATZ UNQTE CHRISTOPHER

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